

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name <b>Gen. County Metro. Planning Commission</b>	County <b>Genesee</b>
Fiscal Year End <b>September 30, 2007</b>	Opinion Date <b>March 10, 2008</b>	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

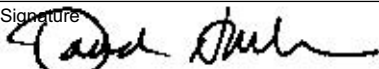
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>Plante &amp; Moran, PLLC</b>		Telephone Number <b>810-767-5350</b>		
Street Address <b>111 East Court Street, Suite 1A</b>		City <b>Flint</b>	State <b>MI</b>	Zip <b>48502</b>
Authorizing CPA Signature 		Printed Name <b>Tadd Harburn</b>		License Number <b>1101014134</b>

**Genesee County Metropolitan Planning Commission  
(A Fund of Genesee County)**

---

**Financial Report  
With Other Supplementary Information  
September 30, 2007**

# **Genesee County Metropolitan Planning Commission**

---

## **Contents**

### **Introductory Section**

Independent Auditors' Report	1-2
------------------------------	-----

### **Financial Statements**

Management Discussion and Analysis	3-4
Balance Sheet	5
Statement of Revenues, Expenditures, and Changes in Fund Balance	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	7
Notes to Financial Statements	8-13

### **Other Supplemental Information**

Balance Sheet - by Program	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - by Program	15-16
Schedule of Revenues and Expenditures - Grantor Approved - Budget and Actual	17
Schedule of Expenditures by Grant Source	18
Analysis of Pension Funding Progress	19

## Independent Auditors' Report

To the Board of Directors of  
Genesee County Metropolitan Planning Commission

We have audited the accompanying financial statements of the Genesee County Metropolitan Planning Commission Fund of Genesee County, Michigan as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of Genesee County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements present only the Genesee County Metropolitan Planning Commission Fund and do not purport to, and do not, present fairly the financial position of Genesee County, Michigan as of September 30, 2007, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Genesee County Metropolitan Planning Commission Fund of Genesee County, Michigan, as of September 30, 2007, the changes in financial position thereof, and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Directors of  
Genesee County Metropolitan Planning Commission

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2008 on our consideration of Genesee County Metropolitan Planning Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

March 10, 2008

## **Management's Discussion and Analysis**

---

# **Genesee County Metropolitan Planning Commission**

## **Management's Discussion and Analysis**

Our discussion and analysis of the Genesee County Metropolitan Planning Commission's financial performance provides an overview of the GCMPC's financial activities for the fiscal year ended September 30, 2007. Please read it in conjunction with the basic financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended September 30, 2007.

- Award of a Mott Grant used as match for Downtown Flint Parking and Traffic Study
- Award of a Mott Grant used to further trail development in Genesee County

Use of the aerial set aside to digitize the historic aerial photos with the handing over of the aerial responsibility to the County GIS department

### **Using this Annual Report**

This annual report consists of three sections: (1) Management's discussion and analysis, (2) The basic financial statements, and (3) Required supplemental information. The financial statements also contain notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements as well as other supplementary information.

### **Condensed Financial Information**

The following table displays key financial information in a condensed format of current year compared to the prior two years:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total assets	\$ 846,734	\$ 987,319	\$ 1,068,803
Total liabilities	327,700	457,517	461,808
	<hr/>		
Fund Balance (Unrestricted)	\$ 519,034	\$ 529,802	\$ 606,995
	<hr/>		
Revenues	\$ 2,372,314	\$ 2,052,634	\$ 2,057,613
Expenditures	2,383,082	2,129,827	2,056,292
	<hr/>		
Excess of revenue over (under) expenses	\$ (10,768)	\$ (77,193)	\$ 1,321
	<hr/>		

# **Genesee County Metropolitan Planning Commission**

---

## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

There were minimal changes in total revenues and expenditures between the original budget and the final budget. Over the course of the year, the expenditures were relatively stable with two exceptions; the required post retirement benefit contributions to the County's VEBA Trust increased substantially as well as the money spent on public awareness advertising for the various programs but primarily the Solid Waste Recycling Program. The recycling outreach activities substantially increased in the past year.

### **Economic Factors and Next Year's Budget and Rates**

- The reduction of the county appropriation for the 2007/2008 program year by \$100,000 is expected to have a negative impact on the match needed to perform the I-475 Feasibility Study.
- In an effort to better fund the Post Retirement Benefit of the VEBA Trust fund the County increased the contribution rates. This had an effect of increasing Planning Commission costs by approximately \$70,000.
- The Commission eliminated the assistant director and office manager positions in an effort to cut overall costs.

### **Contacting the Planning Commission's Financial Administration**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Genesee County Metropolitan Planning Commission's finances and to show the Genesee County Metropolitan Planning Commission's accountability for the money it receives. If you have questions about this report or need additional information, feel free to contact the Planning Commission Director, County of Genesee, 1101 Beach Street, Flint, MI 48502.

# Genesee County Metropolitan Planning Commission

## Balance Sheet

	September 30	
	2007	2006
<b>Assets</b>		
Cash	\$ 516,376	\$ 344,200
Accounts receivable	56,361	59,442
Due from employees	2,664	4,925
Due from other governmental units	241,372	387,882
Due from Genesee County Community Development Fund	29,961	189,070
Prepaid items	-	1,800
Total assets	<b>\$ 846,734</b>	<b>\$ 987,319</b>
<b>Liabilities</b>		
Accounts payable	\$ 8,070	\$ 66,983
Due to Genesee County General Fund	187,855	303,122
Accrued liabilities	67,775	67,412
Deferred revenue	64,000	20,000
Total liabilities	327,700	457,517
<b>Fund Balance</b>		
Fund balance - Unreserved:		
Designated for solid waste planning activities	270,620	309,554
Designated for compensated absences	63,933	56,557
Designated for contractual disallowances	17,630	17,630
Designated for local match on grant	15,000	15,000
Designated for aerial refight	16,318	113,245
Undesignated	135,533	17,816
Total fund balance	519,034	529,802
Total liabilities and fund balance	<b>\$ 846,734</b>	<b>\$ 987,319</b>

# Genesee County Metropolitan Planning Commission

## Statement of Revenues, Expenditures, and Changes in Fund Balances

	Year Ended September 30	
	2007	2006
<b>Revenues</b>		
Charges for services	\$ 867,033	\$ 898,280
Licenses and permits	6,960	53,629
Federal sources	635,074	521,966
State sources	54,223	55,932
Local sources	809,024	522,827
Total revenue	2,372,314	2,052,634
<b>Expenditures</b>		
General government and planning	1,499,019	1,332,479
Solid waste disposal planning	227,353	245,336
Transportation planning	656,710	552,012
Total expenditures	2,383,082	2,129,827
Excess of revenues over (under) expenditures	(10,768)	(77,193)
<b>Fund Balance - Beginning of year</b>	529,802	606,995
<b>Fund Balance - End of year</b>	<b>\$ 519,034</b>	<b>\$ 529,802</b>

# Genesee County Metropolitan Planning Commission

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

	Year Ended September 30, 2007			Variance
	Actual Total	Original Budget	Final Budget	Favorable (Unfavorable)
<b>Revenues</b>				
Charges for services	\$ 867,033	\$ 1,032,036	\$ 1,032,036	\$ (165,003)
Licenses and permits	6,960	-	-	6,960
Federal sources	635,074	1,057,616	1,057,616	(422,542)
State sources	54,223	73,423	73,423	(19,200)
Local sources	809,024	752,842	752,842	56,182
Total revenue	2,372,314	2,915,917	2,915,917	(543,603)
<b>Expenditures</b>				
Personnel services	925,383	1,321,065	1,150,776	225,393
Fringe benefits	814,447	762,732	943,178	128,731
Consulting services	228,725	404,777	351,272	122,547
Other services	169,340	161,387	183,649	14,309
Travel and conferences	3,451	14,000	6,272	2,821
Supplies and office costs	96,896	127,161	132,229	35,333
Contribution to primary government	9,178	-	9,178	-
Bad debt	17,200	-	17,203	3
Rent and other county department costs	117,838	124,795	118,045	207
Capital outlay	624	-	4,115	3,491
Total expenditures	2,383,082	2,915,917	2,915,917	532,835
Excess of revenues under expenditures	(10,768)	-	-	(10,768)
<b>Fund Balance - Beginning of year</b>	529,802	529,802	529,802	-
<b>Fund Balance - End of year</b>	<b>\$ 519,034</b>	<b>\$ 529,802</b>	<b>\$ 529,802</b>	<b>\$ (10,768)</b>

# **Genesee County Metropolitan Planning Commission**

---

## **Notes to Financial Statements For the Year Ended September 30, 2007**

### **Note I - Summary of Significant Accounting Policies**

The Genesee County Metropolitan Planning Commission (Commission) was created in 1963 and has full direct authority conferred by statute over the planning fund and its information gathering and planning programs.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

**A. Reporting entity:**

The Commission is considered a fund of Genesee County's governmental operation. As such, these financial statements present only the Genesee County Metropolitan Planning Commission Fund and do not purport to, and do not, present fairly the financial position of Genesee County, Michigan, as of September 30, 2007 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States. Industry standards require the County to include the financial activities of the Commission in the County's Annual Financial Report. The Annual Financial Report of Genesee County is available for public inspection at the Governmental Center.

**B. Fund accounting:**

For external financial reporting purposes, the Commission accounts for its three district programs (activities) within one General Fund.

**C. Basis of accounting:**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The General Fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the Commission considers revenues available if they are collected within 60 days of the end of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

# **Genesee County Metropolitan Planning Commission**

---

## **Notes to Financial Statements For the Year Ended September 30, 2007**

### **Note I - Summary of Significant Accounting Policies (Continued)**

**D. Short-term inter-government receivables/payables:**

During the course of operations, numerous transactions for goods provided or services rendered occur between the Commission, other governments, and other funds of Genesee County. These receivables and payables are classified as "Due to or from Other Governmental Units" or "Due to and From Other County Funds" on the balance sheet.

**E. Budgets and budgetary accounting:**

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Commission adopts a budget which has a different perspective than required by accounting principles generally accepted in the United States of America. The Commission budgets for a mid-year reduction in the County appropriation as an expenditure and also budgets for bad debts as an expenditure rather than a reduction of the revenue.
2. Prior to September 1, the Director of the Commission prepares from data submitted by the administrative staff a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and resources to finance them.
3. Prior to September 30, the budget is approved by the County Board of Commissioners and legally enacted on a line item basis.
4. Budget appropriations lapse at year end.
5. The original budget is amended, if needed, during the year in compliance with state laws. The budgets to actual expenditures in the financial statements represent the final budgeted expenditures as amended by the Commission.

**F. Indirect costs:**

The Commission utilizes a cost allocation plan to charge costs to related grants by activity. Actual indirect cost and fringe benefit rates for the 2007 fiscal year were 29.26% and 87.72%, respectively. The indirect cost plan submitted and approved by the Michigan Department of Transportation for the 2007 fiscal year had indirect cost and fringe benefit rates of 39.33% and 82.03%, respectively. Any excess actual rates charged over approved rates are absorbed by the Commission.

# **Genesee County Metropolitan Planning Commission**

---

## **Notes to Financial Statements For the Year Ended September 30, 2007**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

G. Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Note 2 - Cash**

The Commission's cash is a part of the County's pooled cash account except for cash on hand.

At year end, the carrying amount of the Commission's cash accounts had a net balance of \$328,521. For financial statement presentation purposes, \$516,376 is classified as cash and \$187,855 is classified as due to Genesee County General Fund. Since the Commission's cash is a part of the County's Pooled cash, the Commission's share of the total County bank balance is unknown. For the same reason, the custodial credit risk of the Commission's bank deposits held at year end is also unknown.

### **Note 3 - Investments**

State statutes authorize the Commission to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions maintaining an office located within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments.

As a fund of Genesee County, the Commission is subject to the investment policy adopted by Genesee County. The investment policy adopted by the Genesee County Board or Commissions in accordance with Public Act 196 of 1997 has authorized investments as allowed under state statutory authority as listed above.

The Commission did not hold any investments during the year or at year end.

### **Note 4 - Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current year the Commission had \$64,000 of grant advances received that were unearned.

# Genesee County Metropolitan Planning Commission

## Notes to Financial Statements For the Year Ended September 30, 2007

### Note 5 - Capital Assets

In the Comprehensive Annual Financial Report of Genesee County, the following information is rolled into the government-wide financial statements as the Commission's portion of capital assets.

The following is a summary of changes in the Commission's gross capital assets:

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2007</u>
Office equipment and furniture	<u>\$122,414</u>	<u>\$ -</u>	<u>\$ (56,574)</u>	<u>\$ 65,840</u>

### Note 6 - Defined Benefit Pension Plan

The Commission participates in a defined benefit pension plan covering substantially all Genesee County employees. The plan was established by Genesee County and is administrated by the Genesee County Employees Retirement System (GCERS). The GCERS is a component unit of Genesee County and acts as the contributory agent of the multi-employer defined benefit pension plan.

The plan covers all employees who are paid by a GCERS employer more than 50% of all compensation received by them for personal services. Exemptions to the 50% rule include the County Board of Commissioner's, and Judges and County Juvenile Officers who are paid partially by the County and partially by the State.

The GCERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.33(1); MCLA 46.12(a) as amended, State of Michigan. The GCERS was established by ordinance in 1946, beginning with the General Unit and the County Road Commission.

Employees are immediately members of GCERS and are required to deposit from .5% to 10.74% of all monetary compensation, including overtime. Deposits are accumulated in individual accounts for each member remaining in service. If a member leaves service, he/she may withdraw his/her accumulated contribution together with the interest credited to his/her account. Generally, employees with 23-25 years of credited service regardless of age or age 60 with eight or more years of services can receive a regular retirement benefit. The retirement benefit varies by employee group but, generally, the benefit is equal to final average compensation times the sum of 2.4% for all years of credited services and is payable monthly for life. Benefits fully vest on reaching 10 years of service. Two employers recently negotiated a fifteen year of service provision for the deferred annuity for new employees, each with a different effective date. The commencement date for the deferred annuity varies by bargaining group from a 20 to 25 year anniversary date of employment or age 60 with at least eight years of service, whichever is the earliest. The GCERS issues a separate financial report and it can be obtained from the Retirement Coordinator at the County's Administration Office, 1101 Beach Street, Flint, Michigan 48502.

# **Genesee County Metropolitan Planning Commission**

---

## **Notes to Financial Statements For the Year Ended September 30, 2007**

### **Note 6 - Defined Benefit Pension Plan (Continued)**

The GCERS employers are required to make adequate contributions to fund the retirement allowances provided by the System. The contribution rates are determined by an annual actuarial valuation based on certain assumptions along with consideration of members contributions and assumed investment income.

### **Note 7 - Defined Contribution Pension Plan**

The County offers a defined contribution pension plan as an alternative to the defined benefit pension plan. The International City Managers Association (ICMA) administers the plan, and the County Board of Commissioners has authority over plan provisions and contribution requirements. All employees are eligible to participate in this plan, if not participating in the Defined Benefit Plan.

The County is required to contribute 10% of eligible employees' annual covered payroll, and employees are required to contribute between 3% and 7% of covered payroll. Employees are vested after 5 years of service. During the year ended September 30, 2007, County total employer and employee contributions to the plan were \$3,020,449 and \$1,532,060, respectively.

### **Note 8 - Contingencies and Commitments**

Federal grants:

The Commission participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The compliance audit reports for the current year have not yet been accepted by the grantor. The total amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

In anticipation of disallowed costs, fund balance of \$17,630 has been designated by the Board for potential disallowed grant expenditures.

During 1991, the Board designated an additional \$15,000 of fund balance to be expended as local matching funds for an Economic Development Agency Title IX grant.

### **Note 9 – Health Benefits Plan and Trust**

Genesee County provides other postemployment benefits (medical, optical, dental, and life insurance) to County retirees who meet eligibility requirements. This is a single-employer defined benefit plan administered by the County. The benefits are provided under collective bargaining agreements to union employees and by resolution of the County Board of Commissioners for employees not covered under collective bargaining agreements. These benefits have traditionally been funded by the County's General Fund on a pay-as-you-go basis. For the year ended September 30, 2007 the amount expended by Genesee County for these benefits was \$7,987,500.

# Genesee County Metropolitan Planning Commission

---

## Notes to Financial Statements For the Year Ended September 30, 2007

### Note 9 – Health Benefits Plan and Trust (Continued)

During 2004, the County established the County of Genesee Retiree Employees' Fringe Benefit Plan and Trust for the purpose of providing health insurance benefits adopted by the County or approved by collecting bargaining agreements for retirees eligible to receive retirement benefits from the County of Genesee Employee's Retirement System. The plan is constituted a "voluntary employee's beneficiary association" (VEBA) under section 501 (c)(9) of the Internal Revenue Code of 1986.

**Funding** - The County performed an actuarial valuation of the OPEB liability for the year ended December 31, 2003. At that time the County-wide total liability was determined to be \$179 million. Since then, the County has been working to systematically increase contributions into the VEBA to eventually equal the annual required contribution (ARC). During the year ended September 30, 2007, the County contributed 10% of gross payroll for its eligible employees into the VEBA. Beginning in 2006 and 2007, all full-time unionized employees were required to contribute 1% of their pre-tax compensation for the funding of retiree health care benefits. Net assets available for benefits reported at fair value were \$30,427,079 at September 30, 2007. During 2007, no benefits had begun to be paid from the VEBA but, were paid from other County resources as mentioned above.

#### Funding Progress-Entire County

Valuation Date	December 31, 2003
Value of Assets September 30, 2007	\$30,427,079
Actuarial Accrued Liability	\$179,150,908
Unfunded AAL	\$148,723,829
Funded Ratio	16.9%
Annual Covered Payroll	\$58,387,145
Ratio of UAAL to Covered Payroll	2.55

## **Other Supplemental Information**

---

# Genesee County Metropolitan Planning Commission

## Balance Sheet - by Program September 30, 2007 (with summarized information for September 30, 2006)

	General	Solid Waste	Transportation Planning Grant	Totals	
				2007	2006
<b>Assets</b>					
Cash	\$ 293,695	\$ 222,681	\$ -	\$ 516,376	344,200
Accounts receivable	-	56,361	-	56,361	59,442
Due from employees	2,664	-	-	2,664	4,925
Due from other governmental units	31,948	-	209,424	241,372	387,882
Due from Genesee County Community Development Fund	29,961	-	-	29,961	189,070
Prepaid items	-	-	-	-	1,800
Total assets	<b>\$ 358,268</b>	<b>\$ 279,042</b>	<b>\$ 209,424</b>	<b>\$ 846,734</b>	<b>\$ 987,319</b>
<b>Liabilities</b>					
Accounts payable	\$ 935	\$ 4,853	\$ 2,282	\$ 8,070	\$ 66,983
Due to Genesee County General Fund	-	-	187,855	187,855	303,122
Accrued liabilities - Payroll	44,919	3,569	19,287	67,775	67,412
Deferred revenue	64,000	-	-	64,000	20,000
Total liabilities	109,854	8,422	209,424	327,700	457,517
<b>Fund Balance</b>					
Fund balance - Unreserved:					
Designated for solid waste planning activities	-	270,620	-	270,620	309,554
Designated for compensated absences	63,933	-	-	63,933	56,557
Designated for contractual disallowances	17,630	-	-	17,630	17,630
Designated for local match on grant	15,000	-	-	15,000	15,000
Designated for aerial reflight	16,318	-	-	16,318	113,245
Undesignated	135,533	-	-	135,533	17,816
Total fund balance	248,414	270,620	-	519,034	529,802
Total liabilities and fund balance	<b>\$ 358,268</b>	<b>\$ 279,042</b>	<b>\$ 209,424</b>	<b>\$ 846,734</b>	<b>\$ 987,319</b>

# Genesee County Metropolitan Planning Commission

	General	Solid Waste	Transportation Planning Grant
<b>Revenues</b>			
Charges for service	\$ 652,019	\$ 215,014	\$ -
Licenses and permits	-	6,960	-
Federal sources:			
FHWA	-	-	466,171
Rideshare	-	-	67,075
FTA (Section 8)	-	-	101,828
Total federal sources	-	-	635,074
State sources:			
Region V	-	-	54,223
Total state sources	-	-	54,223
Local sources:			
County appropriation	732,842	-	-
Interest income	67	-	-
Miscellaneous - Map sales, etc.	76,115	-	-
Total local sources	809,024	-	-
Total revenues	1,461,043	221,974	689,297
<b>Expenditures</b>			
Personnel services	570,426	61,080	293,877
Fringe benefits	521,304	35,354	257,789
Consulting services	88,984	77,235	62,506
Other services	96,550	33,450	39,340
Travel and conferences	649	1,649	1,153
Supplies and office costs	93,466	1,385	2,045
Contribution to County General Fund	9,178	-	-
Bad debt	-	17,200	-
Rent and other county department costs	117,838	-	-
Capital outlay	624	-	-
Total expenditures	1,499,019	227,353	656,710
Excess revenues over (under) expenditures	(37,976)	(5,379)	32,587
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	66,142	(33,555)	(32,587)
Total other financing sources (uses)	66,142	(33,555)	(32,587)
Excess revenues over (under) expenditures and other financing sources (uses)	28,166	(38,934)	-
<b>Fund Balance - Beginning of year</b>	220,248	309,554	-
<b>Fund Balance - End of year</b>	<b>\$ 248,414</b>	<b>\$ 270,620</b>	<b>\$ - 0 -</b>

**Statement of Revenues, Expenditures,  
and Changes in Fund Balance - by Program  
Year Ended September 30, 2007  
(with summarized information for the year ended September 30, 2006)**

Totals	
2007	2006
\$ 867,033	\$ 898,280
6,960	53,629
466,171	358,908
67,075	63,944
101,828	99,114
635,074	521,966
54,223	55,932
54,223	55,932
732,842	504,320
67	28
76,115	18,479
809,024	522,827
2,372,314	2,052,634
925,383	900,932
814,447	708,876
228,725	152,832
169,340	143,962
3,451	5,338
96,896	85,965
9,178	50,000
17,200	4,085
117,838	75,770
624	2,067
2,383,082	2,129,827
(10,768)	(77,193)
-	-
-	-
(10,768)	(77,193)
529,802	606,995
<b>\$ 519,034</b>	<b>\$ 529,802</b>

# Genesee County Metropolitan Planning Commission

## Planning Grants Schedule of Revenues and Expenditures - Grantor Approved Budget and Actual Year Ended September 30, 2007

	10/01/06 To 9/30/07	Grantor Approved Budget	Variance Favorable (Unfavorable)
<b>Revenues</b>			
FHWA	\$ 466,173	\$ 809,632	\$ (343,459)
Rideshare	67,075	70,000	(2,925)
Federal Transit Authority (Section 8)	101,827	273,724	(171,897)
GLS Region V	54,223	73,423	(19,200)
County Appropriation	128,828	247,965	(119,137)
Total revenues	<u>\$ 818,126</u>	<u>\$ 1,474,744</u>	<u>\$ (656,618)</u>
Total expenditures	<u>\$ 818,126</u>	<u>\$ 1,474,744</u>	<u>\$ 656,618</u>

# Genesee County Metropolitan Planning Commission

## Planning Grants Schedule of Expenditures by Grant Source As of September 30, 2007

	FHWA	Rideshare	Federal Transit Authority Section 8	GLS Region V	County Appropriation	Total
	10/01/06 To 9/30/07	10/01/06 To 9/30/07	10/01/06 To 9/30/07	10/01/06 To 9/30/07		
Personnel services	\$ 162,918	\$ 24,685	\$ 37,727	\$ 22,347	\$ 46,200	\$ 293,877
Fringe benefits	142,911	21,654	33,094	19,603	40,527	257,789
Consulting services	41,768	-	9,169	-	11,569	62,506
Other services	27,255	6,713	713	-	4,665	39,346
Travel	772	-	169	-	206	1,147
Supplies	1,064	464	233	-	284	2,045
Indirect cost	89,485	13,559	20,722	12,273	25,377	161,416
Total expenditures	<b>\$ 466,173</b>	<b>\$ 67,075</b>	<b>\$ 101,827</b>	<b>\$ 54,223</b>	<b>\$ 128,828</b>	<b>\$ 818,126</b>

## Genesee County Metropolitan Planning Commission

### Other Supplemental Information Analysis of Funding Progress for Genesee County Employees' Retirement System Year Ended September 30, 2007 (Dollar Amount in Millions)

Plan Year End	Actuarial Valuation Date	Actuarial Value of Assets (a) (000's)	Actuarial Accrued Liability Attained Age (AAL) (b) (000's)	Unfunded AAL (UAAL) (b-a)	Funded Ration (a/b)	Covered Payroll (c) (000's)	UAAL as % of Covered Payroll (b-a)/c)
12/31/06	12/31/06	\$445,962	\$490,335	\$ 44,373	91.0%	\$ 70,205	63.20%
12/31/05	12/31/05	412,739	467,582	54,843	88.3	70,433	77.87
12/31/04	12/31/04	404,493	458,069	53,576	88.3	71,274	75.17
12/31/03	12/31/03	405,218	433,148	27,930	93.6	70,143	39.82

Note: This represents the data for the entire Retirement System.

**Genesee County Metropolitan  
Planning Commission**  
(a fund of Genesee County)

---

**Federal Awards  
Supplemental Information  
September 30, 2007**

# Genesee County Metropolitan Planning Commission

---

## Contents

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8



Plante & Moran, PLLC

Suite 1A

111 E. Court St.

Flint, MI 48502

Tel: 810.767.5350

Fax: 810.767.8150

plantemoran.com

## Independent Auditor's Report

To the Commissioners  
Genesee County Metropolitan Planning Commission

We have audited the basic financial statements of the Genesee County Metropolitan Planning Commission Fund of Genesee County, Michigan for the year ended September 30, 2007 and have issued our report thereon dated March 10, 2008. Those basic financial statements are the responsibility of the management of the Genesee County Metropolitan Planning Commission. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Genesee County Metropolitan Planning Commission Fund of Genesee County, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

March 10, 2008

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Commissioners  
Genesee County Metropolitan Planning Commission

We have audited the financial statements of the Genesee County Metropolitan Planning Commission Fund of Genesee County, Michigan as of and for the year ended September 30, 2007 and have issued our report thereon dated March 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Genesee County Metropolitan Planning Commission Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Genesee County Metropolitan Planning Commission Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Genesee County Metropolitan Planning Commission Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the Commissioners  
Genesee County Metropolitan Planning Commission

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Genesee County Metropolitan Planning Commission Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commission, management, State of Michigan, federal awarding agencies, pass through agencies, and the federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

March 10, 2008

Report on Compliance with Requirements Applicable to Each Major  
Program and on Internal Control Over Compliance in  
Accordance with OMB Circular A-133

Commissioners  
Genesee County Metropolitan Planning Commission

### Compliance

We have audited the compliance of the Genesee County Metropolitan Planning Commission Fund of Genesee County, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The major federal programs of the Genesee County Metropolitan Planning Commission Fund are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Genesee County Metropolitan Planning Commission Fund's management. Our responsibility is to express an opinion on the Genesee County Metropolitan Planning Commission Fund's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Genesee County Metropolitan Planning Commission Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Genesee County Metropolitan Planning Commission Fund's compliance with those requirements.

In our opinion, the Genesee County Metropolitan Planning Commission Fund complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

To the Commissioners  
Genesee County Metropolitan Planning Commission

### **Internal Control Over Compliance**

The management of the Genesee County Metropolitan Planning Commission Fund is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Genesee County Metropolitan Planning Commission Fund's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Commission, management, State of Michigan, federal awarding agencies, pass through agencies, and the federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

March 10, 2008

# Genesee County Metropolitan Planning Commission

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

Federal Agency/Pass-through Agency Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
Federal Highway Administration - Passed through Michigan Department of Transportation - Highway Planning and Construction Cluster Section 112 - Unified Work Program year ended September 30, 2007	20.205	88093	\$ 809,632	\$ 466,173
Rideshare Program-Program year ended September 30, 2007	20.205	CMQ-0625(041)	<u>70,000</u>	<u>67,075</u>
Total Highway Planning and Construction Cluster			879,632	533,248
Federal Transit Administration - Passed Through Michigan Michigan Department of Transportation - Urban Mass Transportation Technical Studies Grants - Section 8 - Planning and Technical Assistance - Program year ended September 30, 2007	20.505	88104	<u>342,155</u>	<u>101,827</u>
Total federal awards			<u>\$ 1,221,787</u>	<u>\$ 635,075</u>

# **Genesee County Metropolitan Planning Commission**

---

## **Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2007**

### **Note 1 - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Genesee County Metropolitan Planning Commission and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# Genesee County Metropolitan Planning Commission

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? ☒ Yes ☐ No

# **Genesee County Metropolitan Planning Commission**

---

## **Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None

March 10, 2008

To the Commissioners  
Genesee County Metropolitan Planning Commission

Dear Commissioners:

We have recently completed the audit of Genesee County Metropolitan Planning Commission (Planning Commission) for the year ended September 30, 2007. We offer the following information for your consideration.

### **New Auditing Standards**

The AICPA has issued Statements on Auditing Standards 104 to 111 that will substantially affect the auditing process. The effective date for implementation is for period beginning on or after December 15, 2006 (the September 30, 2008 audit for the Planning Commission). These new rules, which are known collectively as the new Risk Assessment Standards, significantly change the procedures auditors must perform in all financial statement audits. Under these new rules, auditors will be required to:

- More thoroughly examine and evaluate clients' accounting processes and controls, including the overall control environment, key controls over significant transactions, and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in clients' systems and processes that create risks of material misstatement in their financial statements and perform additional testing in response to these risks
- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, auditors will need to make more detailed and specific requests for information from clients, particularly about processes and controls, and clients will need to do more work to be well prepared for their audits. The new rules will also require increased audit testing and more thorough auditing procedures and will increase the amount of related documentation that auditors must prepare and maintain.

Plante & Moran, PLLC began analyzing these new standards and incorporating the necessary changes into our audit process and tools more than a year ago. It is clear that the new rules will require us to perform more audit procedures than we have in the past. Over the past several months, our firm has been investing heavily to implement our new audit methodology and train our staff on these changes. Now that our staff is trained our next goal is to have our staff work with our clients to prepare for the transition to these new rules.

As we move forward, we will be communicating with you regularly about matters that will affect your next financial statement audit. In addition, we plan to begin to work with you during the upcoming year in a number of areas, including review and documentation of your internal accounting procedures and controls, to ensure a smooth transition to these new standards. We will be in contact with you in the near future to discuss these matters in more detail.

The primary objective of these new rules is to strengthen and enhance the independent audit of financial statements, including more thorough evaluation and information about your internal accounting and financial reporting processes and controls. We believe that these new rules and the additional communications you will receive from us about the results of our audit work will enhance the value you receive from your financial statement audit.

### **Other Information**

**The following information may be helpful to the Commission in its role as the chief planning board of the County.**

### **Revenue Sharing**

The future of the State's revenue sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The magnitude of the State's deficit has become even more pronounced after the State's January and May 2007 revenue estimating conferences. According to economists, Michigan may still be short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. The outcome of other matters will also impact revenue sharing and those matters include:

- ***Future of County participation in Statutory Revenue Sharing*** In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a “reserve fund” which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the “revenue sharing formula” and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- ***Statutory Revenue Sharing formula was set to expire in 2007- continued for 2008-*** While the 2007/2008 State budget appropriated state shared revenue distributions at 2006/2007 levels there was no formal extension of the statutory portion of the state shared revenue. It is generally understood the intent of the Legislature was to extend the revenue sharing act one year. Legislative action will most likely be required on this Act for appropriations to continue into 2009 and beyond.

### **New Michigan Business Tax**

As previously indicated, the new Michigan Business Tax (MBT) was approved by the Legislature in June 2007 and replaces the Single Business Tax (SBT) which expires December 31, 2007. According to the State, the new MBT is intended to generate about the same \$1.9 billion generated by the expiring SBT

While the MBT intended to simplify the old SBT, the MBT is a very lengthy and complicated new law. The new MBT imposes two taxes - a modified gross receipts tax and a business income tax. The modified gross receipts tax is imposed at .8 percent on a tax base composed of gross receipts less certain purchases. The business income tax will be imposed at a rate of less than 5 percent on business income. The MBT provides for new investment, compensation and research and development credits to businesses. The MBT also allows certain qualified small businesses to opt out of the MBT and pay a straight 1.8 percent tax on adjusted business income.

More personal property tax relief is also part of the new MBT. Business personal property classified as “industrial” or “commercial” will be exempt from certain personal property taxes - specifically from the State Education Tax (SET) and local school operating mills. “Industrial” personal property will receive exemptions from the 6 SET mills and the 18 schools operating mills (for a total 24 mill exemption). “Commercial” personal property will be exempt from 12 of the 18 school operating mills.

These newly enacted personal property tax exemptions will mean that local governments will collect less school taxes on these properties. For local governments that have enacted an administrative fee on tax collections, they will likely see a decrease in the administration fees that have traditionally been collected. Also, for those local governments with tax increment financing authorities that continue to have existing eligible obligations outstanding and are therefore allowed to capture school taxes (to the extent of these eligible obligations), the personal property tax exemptions on school millages will likely decrease the amount of school taxes available to capture.

Given the favorable tax treatment of industrial versus commercial personal property, it is expected that businesses will be re-reviewing the classification of their personal property. Local assessors will likely receive more frequent inquiries and requests to change classification of personal property to take the most advantage of the tax break afforded to industrial property and commercial property and the additional relief available for industrial property.

As we understand it now, these are the areas at the local governmental level (i.e. impact on administrative fees; impact on school dollars available for capture for certain tax increment financing authorities; property classifications) that are the most directly impacted by the new MBT.

We will keep you updated as we continue to explore these and other issues regarding the impact of the MBT on local units of government.

### **Personal Property Tax Relief**

Does this mean more money out of the pockets of local governments? The answer is a complicated one. As we now understand it, there are really two main areas at the local governmental level that will be most impacted by this new provision: tax administration fees and tax captures by special authorities, such as DDAs, TIFAs and Brownfields (particularly entities with eligible pre-Proposal A existing obligations and Brownfields with reimbursement agreements).

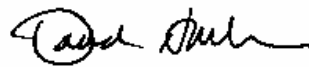
As the new law states, certain business property will be exempt from personal property tax on the State Education Tax (SET) and the local school operation mills. This is a direct mill reduction for industrial and commercial personal property. Industrial personal property taxes will receive exemptions from the 6 SET mills and the 18 schools operation mills (for a total 24 mill exemption). Commercial personal property will be exempt from 12 of the 18 school operating mills.

Many local governments collect, as allowed for by State law, a property tax administration fee (up to 1 percent of taxes levied). Because the MBT provides certain personal property tax relief in the form "exemptions" versus credits to the MBT tax, local governments will collect less "school related" taxes and some communities will see a decrease in the administration fees that have traditionally been collected. For certain communities with a higher percentage of its tax base composed of commercial and industrial property, this reduction in fees might be significant.

We would like to extend our thanks to the entire staff of Genesee County Metropolitan Planning Commission for the cooperation and courtesy extended to us during the audit. We would be happy to discuss the above comments or any other matters at your convenience.

Sincerely,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Tadd Harburn", written in a cursive style.

Tadd Harburn, Partner